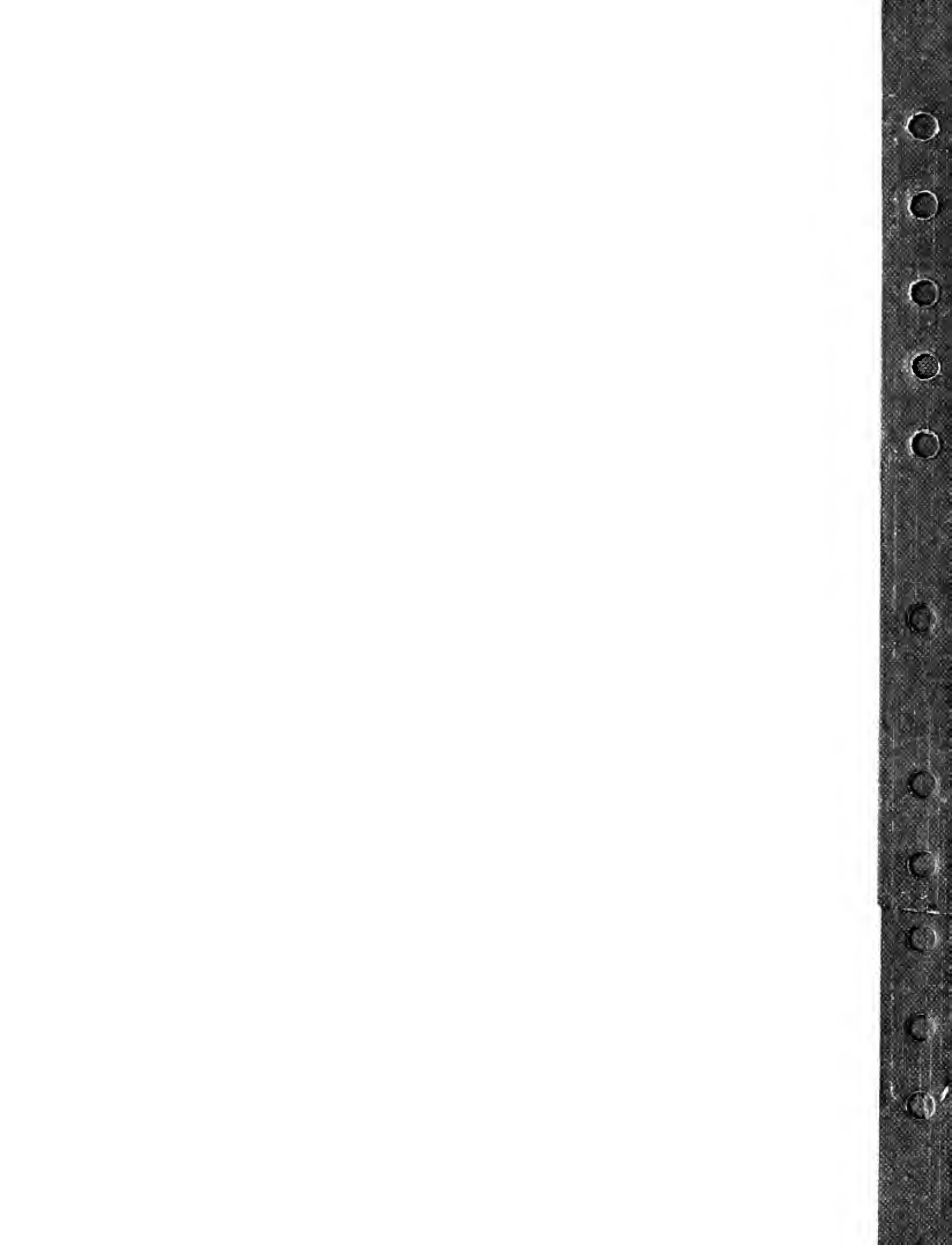
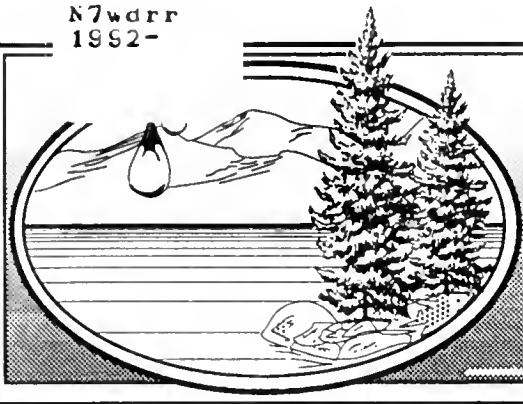


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WATER DEVELOPMENT AND RENEWABLE RESOURCE DEVELOPMENT PROGRAMS

"Promoting the development of Montana's water-related natural resources"

STATE DOCUMENTS COLLECTION

APR 26 1992

In this issue: Water Development Program Grants and Loans for Governmental Entities • 1992

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WATER DEVELOPMENT GRANT AND LOAN APPLICATIONS DUE MAY 15

Government Entities Eligible to Apply

The Water Development Program was established in 1981 by the Montana Legislature to promote and advance the beneficial use of water, and to allow the citizens of Montana to achieve full use of the state's water by providing grant and loan financing for projects that promote the development and efficient use of water resources. The deadline for grant and loan applications for the Water Development Program falls on May 15 of even-numbered years. Successful applicants are notified during the following year. State and local government agencies and their subdivisions are eligible to apply for these funds. Information on other natural re-

source grant and loan programs also is available from DNRC. These programs include DNRC's Water Development Loan Program for private applicants, Reclamation Development Grant Program, State Revolving Fund, and Renewable Resource Development Program.

The Water Development Program is administered in concert with the Renewable Resource Development Program. Applicants may seek funding under either program with a single application; however, projects may receive funding from only one of the two programs. The Renewable Resource Development Program funds applications from state and local government entities for projects designed to develop renewable natural resources, including water. Information about the Renewable Resource Development Pro-

INSIDE

- Water Storage
- 1991 Projects Underway
- Loan Gives Wibaux Updated Water System
- Grant Application Ranking Criteria
- Questions Applicants Ask About Grants and Loans
- Water Planning Essential For Loan and Grant Applicants
- Funding for Emergency Projects

gram is available from DNRC.

Water storage is a high priority under the Water Development Program (see sidebar on page 2), but groundwater protection, water-based recreation development, and irrigation system improvements are examples of projects that also have been considered for funding in the past. Grants are less than \$100,000 and are typically used for a portion of the total project cost. Grants may be paired with low-interest Water Development loans. These loans are offered at the rate at which the state's bond is sold. Revenue from the sale of bonds is used to finance Water Development loans of up to \$200,000; Water Development grants and loans may not cumulatively exceed \$200,000 for a single project. For example, if a \$400,000 project receives a \$50,000 grant and a \$150,000 loan, an additional \$200,000 would be needed from other sources to meet the project's total cost.

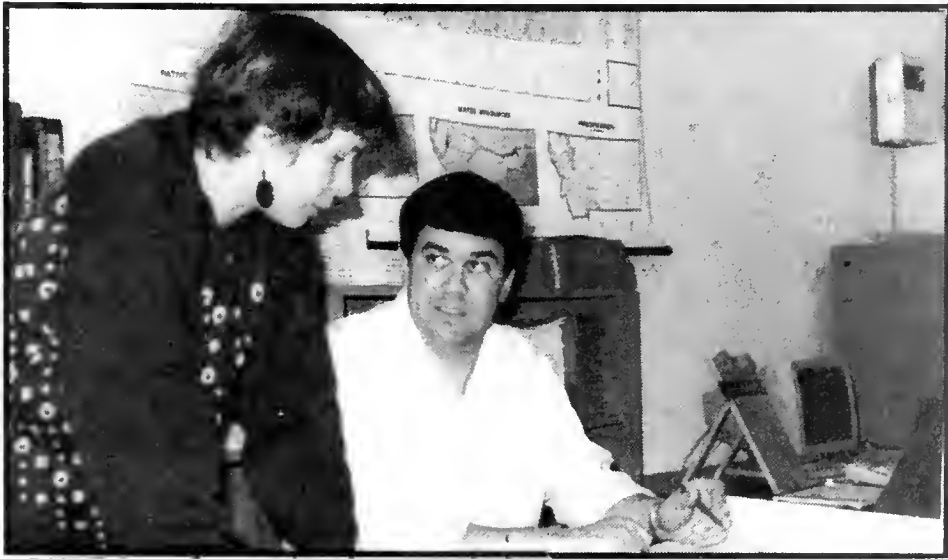


Photo by Jim Bond

DNRC's Jeanne Doney and Mark Marty study plans and specifications for a proposed project.

cont'd on page 2

Applications (cont'd from page 1)

Up to \$250,000 million from the sale of Montana Coal Severance Tax bonds also may be used to fund loans to government entities. Revenue from Coal Severance Tax bonds is used to finance Water Development loans of more than \$200,000; no limit is placed on the amount of individual loans except on the extent to which a recipient is able to repay. These larger loans may not be paired with Water Development grants but may be subsidized through a rate lower than the bond interest rate. Loan subsidies usually are based on the average income level of those in the area where the loan would be provided.

DNRC does not select government grant or loan projects for funding, according to DNRC Program Manager Jeanne Doney. "The Department's role is to screen grant and loan requests to determine whether projects are financially and technically feasible," she explained. "The feasible grant requests are ranked according to standard criteria to select those that make the most efficient use of our state's natural resources." (See Grant Application Ranking Criteria on page 5.)

Loans also are reviewed to eliminate those that are not technically sound or those that would not be good credit risks. DNRC then makes its grant and loan funding recommendations to the legislature.

Nongovernment entities, or private persons, also may apply for Water Development grants and loans. These applications also are reviewed by DNRC; funding decisions, however, are made by DNRC's director. Non-water-related natural resource development or reclamation projects may be eligible for funding under DNRC's Renewable Resource Development or Reclamation Development Grant programs.

For information on any of these programs, write or call DNRC at the following address and phone number:

DNRC Conservation and
Resource Development Division
1520 East Sixth Avenue
Helena, MT 59620-2301
Phone: (406) 444-6668

WATER STORAGE

In 1991, the legislature reemphasized water storage as a priority in Senate Bill 313. This bill clarified state water storage policy and its role in solving water problems by establishing guidelines for setting priorities among new storage and rehabilitation storage projects. The bill also mandated studies to determine the feasibility of assessing recreational user fees to repay the cost of constructing water storage projects, and of collecting larger fees from consumptive water users who benefit from the development of new state-owned water storage projects and water storage laws and regulations. A portion of funds previously set aside for Water Development and Renewable Resource Development grants was placed in a new "Water Storage State Special Revenue Account." Funds remaining in the account during 1991 and 1992 are not to be expended, but instead will accumulate for expenditure during fiscal years 1994 and 1995.

DNRC must seek the authorization to award water storage funds, which are anticipated to be used to meet priorities outlined in the studies mandated by Senate Bill 313. DNRC also will continue to consider other applications for water storage projects under the Water Development Program.

1991 PROJECTS UNDERWAY

Higher standards, extended drought periods, and the need to upgrade aging systems have prompted water users to look to DNRC for grants and low-interest loans. During 1990, DNRC received 62 application requests totaling nearly \$3.5 million. However, only top-ranked grants were funded with Water Development funds by the legislature in 1991 (see sidebar on page 3). Because the competition is so great for these limited funds, only well-developed applications that meet program goals receive funding (see Grant Application Ranking Criteria on page 5).

Ekalaka is one community that successfully obtained grant and loan funds. The town approached DNRC for a \$50,000 Water Development grant and a \$100,000 Water Development bond loan to install a new water well and increase water storage capacity. The total project cost of \$199,000 was met with another \$49,000 from the town's reserve. According to Alyce Kuehn, former town administrator, "It's not wise to wait to make improvements in community infrastructure systems. Community appearance is

important when soliciting new businesses."

Motivated by the 1986 Safe Drinking Water Act, the town hired a consultant to set priorities and to plan improvements that the town could make. Ekalaka used this plan to support its application for funds. The legislature approved the request in 1991.

Because the competition is so great for these limited funds, only well-developed applications that meet program goals receive funding.

Lower Musselshell Conservation District also sought a Water Development grant and received funding. Water shortages are a chronic problem for irrigators and other users along the Musselshell River. Gale Stensvad, chairman of the Lower Musselshell Conservation District, said, "After a number of water-short years



DNRC's Ron Roman at water project site.

"Because Ekalaka and Lower Musselshell Conservation District submitted well-documented project proposals that clearly met the objectives of the program, they ranked highly and were recommended for funding."

-Jeanne Doney

during the 80s, we were pretty certain we needed water-measuring devices and a plan for basinwide water management."

Scheduled water delivery from Deadman's Basin Reservoir was begun in 1990 to control the demand and more accurately account for irrigation water. According to the water measurement plan, measuring devices were required in 1991 before delivery of stored contract water began. In 1991, the legislature approved grant funding to implement another aspect of the district's management strategy. Funds will be used to install instruments to measure tributary inflows and diversion flows, to detect delivery system seepage loss and failure, and to collect reservoir content and release rate data.

Larry Cawfield, a DNRC hydrologist who has worked closely with Lower Musselshell Conservation District, said, "Lower Musselshell Conservation District's plan for water measurement and its comprehensive water management plan are among the most progressive in the state. With this grant, we are well on our way to distributing and using water more efficiently."

According to DNRC Program Manager Jeanne Doney, "Because Ekalaka and Lower Musselshell Conservation District submitted well-documented project proposals that clearly met the objectives of the program, they ranked high and were recommended for funding."

TOP PROJECTS FUNDED IN 1991

- **Milk River Irrigation Project — Rehabilitation and Betterment**
DNRC's grant provides \$100,000 in design costs for a \$6 million project.
- **Lower Musselshell River Basin Irrigation Water Management**
Funds will be used to help pay for gages to control irrigation water use; water will be conserved for downstream irrigation use.
- **Water Use Improvement through the Lining of Ditches and Laterals**
This \$2 million project will reduce water losses in the Glasgow irrigation district.
- **Greenfields Gravity Irrigation Project**
Funds will be used to plan and design gravity-pressurized sprinkler systems. Implementation funds will be sought through the Pick-Sloan program.
- **Drought Monitoring System**
A statewide system will be established to enhance the state's ability to respond to drought.
- **Irrigation Information System**
Irrigators will improve the economics of their operations by employing better on-farm water management skills.

LOAN GIVES WIBAUX UPDATED WATER SYSTEM

by Jeanne Doney

Planning and persistence pay off

In 1986, the town of Wibaux submitted an application to DNRC for funding under the Water Development Program. Since that time, the town has worked with DNRC to improve its water works system. Brian Milne of Interstate Engineering, a long-time project consultant, recently talked about some of the problems the town encountered in getting the project funded. Milne's reflections, coupled with DNRC staff perspectives, provide a useful insight into a project that succeeded only after overcoming a number of barriers.

According to Anna Miller, DNRC finance officer, "Wibaux's experience is not unlike that of other communities undertaking these types of ventures."

Miller's advice? "Don't give up! We see communities that overcome numerous obstacles to complete a project—that's the way people are in Montana!"

Milne agreed. "Think of long-range benefits instead of short-term disappointments. If a project isn't funded the first time, try again. Owners who truly feel their projects are necessary must be willing to work hard to get funding."

Wibaux is located on Montana's eastern border about eight miles from North Dakota. As with many of Montana's community infrastructure systems, Wibaux's water works system was outdated. Its components—including the elevated storage tank—were more than 60 years old. The storage reservoir leaked and lacked the storage volume needed to provide adequate fire protection. Some areas of the town were served by only one water main, and when that main was out of service, large areas of the town were left without water for domestic use or fire protection.

The system consisted of a 100,000-gallon, elevated storage tank and a water distribution system with 4-, 6- and 8-inch cast iron water mains. Water was supplied by two wells pumping a total of 330 gallons per minute. Although the water

supply was adequate, a high sodium content was present at times. Frequent breaks and slow leaks from the deteriorated mains also caused concern because of water being wasted and the increased potential for

"It was a difficult decision to increase the base rate for residential customers from \$7.00 per month to \$13.75 per month in order to pay for this project. But we feel our town must have a solid infrastructure if the town itself is to survive. State programs are needed to help small communities deal with infrastructure issues."

-Mayor Larry Helvik

a contaminated drinking water supply.

Wibaux's 1986 application for funding was based on a 1982 engineering study of the town's water works system. "In 1984, we began to work with the town to identify problems with its system and set priorities that could be met with the grant funds available," explained Milne.

At the time, funding was available through the Public Works Incentive Program under the U.S. Economic Development Administration. Since that grant was available to high unemployment areas, Wibaux's water system grant project was funded to provide immediate employment for the town's unemployed. The town needed another \$95,000, however, to finish the project.

"That's when we decided to apply to DNRC for Water Development grant funding," said Milne. "We needed another \$95,000 to do the job right, and DNRC's program seemed to offer the most promising source of funds."

Although the town looked forward to receiving a \$95,000 grant, DNRC rec-

ommended a \$45,000 grant and a \$50,000 loan. "If a community has the ability to repay a low-interest loan, DNRC typically recommends a grant and loan combination," explained Miller. "Since the first application lacked the detailed documentation that makes a project competitive for grant funding, DNRC was unable to provide a high ranking score."

According to DNRC engineer Mark Marty, "The file shows that the application lacked a lot of detail in the description of existing facilities." The application did not include any maps or an outline of the distribution system's more recent improvements.

"Applications that provide more extensive detail generally rank more favorably because it's easier to envision the project and picture its existing problems," Marty said.

The lack of detail significantly affected the number of points the application earned in the public benefit area. The project rated above average in public need, but because it addressed a community water works system, it lacked points in such categories as "Statewide Application," "Family Farm Operation," "Use of Reserved Water," and "Agriculture Preference." (Ranking criteria have since been revised—see Grant Application Ranking Criteria on page 5).

"Irrigation is a giant water user in Montana, so agriculture-related projects offer the greatest potential for water conservation," said Marty. "Communities that want to be competitive with their water works projects should submit a tough application. And don't forget this is a resource program. Talk about the water your project will conserve or the source it will protect."

As in the past, funding limitations in 1987 precluded grant funding for lower-ranked projects, and only about \$600,000 in Water Development grants were authorized. In lieu of the grant and loan combination DNRC recommended, the legislature authorized a \$95,000 loan for Wibaux to be financed with proceeds from the sale

cont'd on page 7

GRANT APPLICATION RANKING CRITERIA

Feasibility and public benefit are key elements

DNRC and a technical review team evaluate each application to ensure that a proposal is economically feasible, that it is located in Montana, and that it is at least technically feasible. Economic feasibility is judged to verify that the total cost of the proposed venture will be exceeded by anticipated benefits directly attributable to the project or activity. After this initial evaluation, DNRC staff examines an application's merit under six categories.

1. FINANCIAL FEASIBILITY

Financial feasibility will be determined by DNRC's technical review team, a group of experienced individuals who will evaluate the merit of similar proposals based on standard principles of finance. The reviewers will decide whether funds exist to construct, operate, continue, maintain, or complete a project and whether these are identified. They also will determine whether other funding sources to complete the proposal have been secured, whether documentation of these funds is provided, whether any necessary security required to support a Water Development loan requested in conjunction with the grant exists and is sufficient, and whether matching funds are in-kind or another form of soft match.

If the review uncovers any deficiencies in a proposal's financial feasibility, points will be deducted. An acceptable application would lose no points, a marginal application would lose 100

points, and a doubtful application would lose the maximum of 200 points.

2. ADVERSE ENVIRONMENTAL IMPACTS

An environmental checklist will be completed with the assistance and guidance of DNRC's environmental

impact team. Each checklist item identifies adverse impacts in resource areas such as air quality, water quality, vegetation/wildlife, land use, and visual/aesthetics. If any adverse effects would result from a project/activity, preparation of an environmental assessment and, possibly, an environmental impact statement would be required to fulfill requirements of the Montana Environmental Policy Act. The cost of these documents will serve as a factor in reconsidering the initial cost and benefit assessment.

Adverse environmental impacts will be estimated and could result in a proposal's loss of a maximum of 300 points.

3. TECHNICAL MERIT

Standard engineering principles will be used to evaluate a proposal's technical merit. Coordinating agencies must indicate that the project meets standards necessary to comply with state law. Applicants also must either hold or indicate their ability to acquire all of the necessary land or water right interests. Proposals that use commonly accepted technologies and are not experimental efforts will be more competitive than those that propose to use a more experimental type of technology to solve a common problem. Proposal budgets and timelines must be reasonable and well-documented. Up to 400 points will be awarded to an application under the technical merit category.

4. PUBLIC BENEFIT

Public benefit criteria are based on Montana statutes. Up to 400 points will be awarded, depending on the degree to which these tests apply:

- A. State Water Plan (150 points)
For example, does the project
 - implement a priority of the State Water Plan?
 - support identified water storage priorities?
 - preserve farmland or is part of a family farm?
- B. Reserved Water Rights (50 points)
Does the project
 - initiate the use of water reserved under Montana law?
 - help resolve Indian/federal reserved water rights?

WATER DEVELOPMENT AND RENEWABLE RESOURCE DEVELOPMENT PROGRAM		
Application Scoring Sheet		
Project Sponsor: _____		
Title of Venture: _____		
I. PROJECT/ACTIVITY ELIGIBILITY		
A. ECONOMIC FEASIBILITY:		
Benefits exceed costs	<input type="checkbox"/> Yes	<input type="checkbox"/> No
B. LOCATION:		
Venture located in Montana	<input type="checkbox"/> Yes	<input type="checkbox"/> No
C. TECHNICAL FEASIBILITY:		
Sufficient documentation supplied	<input type="checkbox"/> Yes	<input type="checkbox"/> No
II. PROJECT/ACTIVITY MERIT		
Category	Total Points	Maximum Possible
A. FINANCIAL FEASIBILITY	_____	0
B. ADVERSE ENVIRONMENTAL IMPACTS	_____	0
C. TECHNICAL MERIT	_____	400
D. PUBLIC BENEFIT	_____	400
E. NEED	_____	100
F. URGENCY	_____	100
TOTAL	_____	1000

C. Water conservation, management, or protection (100 points)

Will the project

- significantly contribute toward water conservation when it's implemented?

D. Citizen benefit or support (100 points)

Will the project be

- a multi-use project?
- used by the public?
- strongly supported by documented citizen support?
- co-funded with nonstate funding that exceeds the funding requested?
- a source of new, permanent jobs?

5. NEED

Points for public need will be awarded to proposals only if the subtotal of the previous categories is more than average. Points will be awarded to proposals that have not previously received funding from DNRC; that document no other available public funding; that show compliance with court orders to overcome identified health hazards; or that mitigate existing, adverse environmental conditions. Up to 100 points may be awarded to a proposal under the public need category.

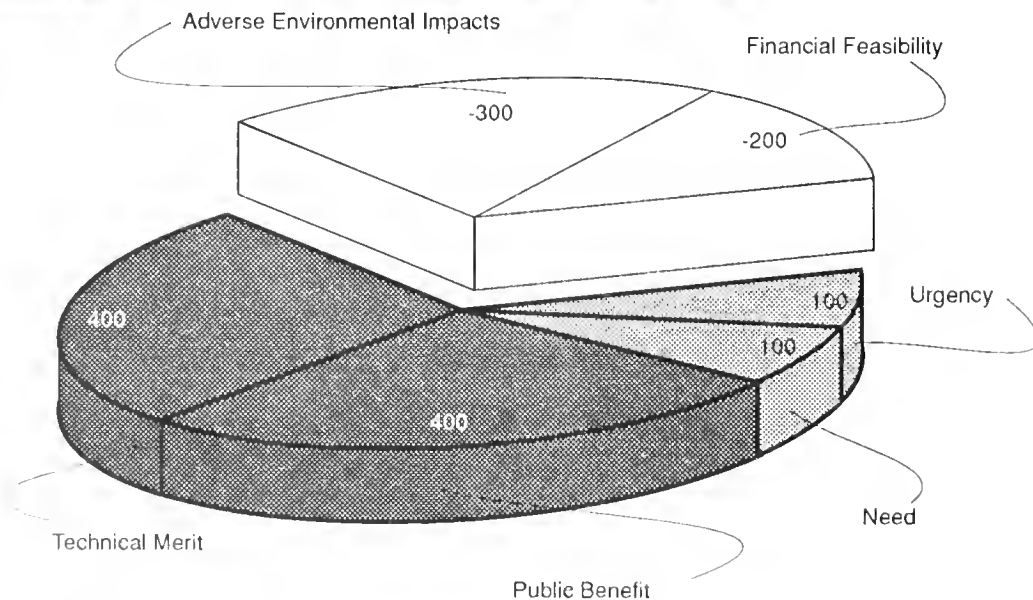
6. URGENCY

Urgency points will be awarded only to applications that qualify for consideration under public need. Up to 100 points may be awarded to applications that document severe financial need demonstrated by the rates and fees in place for related community systems or services; the community mills levied; a high debt-to-bond-capacity ratio or other fiscal problems; or a threat to life or property that would be imminent without the project.

DNRC's ranking system is used to determine the relative merit of each proposal submitted for funding. Proposals are recommended for funding in the order that they are ranked, and the actual funding decisions are made by the Montana Legislature.

For more information about the application ranking system, contact DNRC.

Ranking Criteria



	Points will be deducted from application ratings for projects or activities that would cause Adverse Environmental Impacts or that would show doubtful Financial Feasibility.
	All applications will be evaluated for Technical Merit and Public Benefit.
	Only those applications that receive an above-average total score in other evaluation categories will be rated for Need and Urgency.

Wibaux (cont'd from page 4)

of a state Water Development bond. According to Miller, "Loans of less than \$200,000 are considered small loans, and these are funded with proceeds from the sale of State General Obligation Water Development bonds. Terms of these loans include the same interest rate as the state receives on the bond we sell."

"The loans typically have a 20-year repayment schedule, although in some cases we allow up to 30 years," said Miller. "Grants authorized in combination with these loans are the only subsidy available, but even without a grant the interest rate typically is more favorable than a comparable rate available to smaller communities."

"We would have been glad to complete the project with the loan DNRC offered," said Milne. "We didn't know then that we would lose our Public Works Incentive Program grant. In the time it took to secure DNRC financing, most of Wibaux's unemployed residents moved away."

The loss of this grant "was a blow," said Milne, "but there was nothing we could do except go back to the drawing board."

In 1988, the town applied for Water Development funding a second time, asking for \$250,000. "They hoped to receive a \$50,000 grant and a \$200,000 Water Development bond loan," said Miller. "Their request for \$250,000 precluded any grant assistance, and under DNRC's program any funding request of more than \$200,000 is channeled to what we refer to as a large loan."

Large loans provide funding of more than \$200,000 with financing from the sale of bonds backed by a portion of the state's Coal Severance Tax. Only government entities may apply for Coal Severance Tax loan financing. Communities with low median income levels qualify for subsidies of one to three points below the state's bond interest rate.

During its review of Wibaux's second funding application, DNRC staff reassessed the project's technical feasibility and the town's ability to repay the loan under the required terms. It was unnecessary to rank the application the second time around,

however, since loans are not funded competitively. Each eligible and feasible loan project receives a DNRC funding recommendation and, in this case, DNRC recommended a 20-year Coal Severance Tax bond loan with a subsidized interest rate at 2 percent below the bond rate for the first 5 years. With a bond interest rate of 6.9 percent, the subsidy translated into a \$15,000 interest savings in lieu of a grant. The legislature approved the request and authorized a \$250,000 loan in 1989.

Project improvements to be funded with DNRC financing included a 100,000-gallon, on-ground water storage tank to give the town an adequate supply of stored water both for domestic use and



Statue of Pierre Wibaux overlooks the town.

fire protection. Another improvement focused on the replacement of the old and undersized water mains with 6-, 8-, and 10-inch PVC pipe. A secondary means of supplying water to all areas of the town would be added to avoid an interrupted water supply and associated fire hazards.

"When the financing was on the table, we began to work closely with DNRC," said Milne. "It isn't any easier to get money out of the state than any other financing institution, but to DNRC's credit they take good care of the taxpayer's investment."

The first step involved an examination of Wibaux's financial health.

During its examination of the water system's financial status, DNRC targeted past revenue and expenditures, user rates, current debt obligations, and past audit reports.

The process soon hit a snag, though. According to Milne, "We didn't consider the town's other financial obligations, but there was one we just couldn't get around. The town previously sold a \$22,500 bond, and under the resolution that existed it was impossible to sell parity bonds. We couldn't meet the terms DNRC required and couldn't go forward."

"When the town issued its \$22,500 revenue bond in 1978," Miller explained, "it pledged the water system revenue to repay that debt first."

This would be the scenario regardless of the town's financial situation; these bonds would be paid first. If Wibaux entered into another bond issue, the second issue always would be subordinate to (or paid after) the first issue.

"DNRC must look out for the state's best interest because our bonds must have equal status or be on parity with any other bonds that have been issued. If the bonds aren't on parity, we can't make a loan," Miller said.

"We had to go back to the legislature and ask for more money," said Milne. "I think they were sick of us by that time, but they didn't show it—they were great."

"They gave us authority for a larger loan so we could combine the previous bond with the one we needed to sell to secure the project loan," Milne added.

As a next step, DNRC had to certify (1) that the town's finances were in order; (2) that any adjustments to the rate structure were made (if necessary, public hearings were to be held); (3) that insurance for the facility was in order; (4) that the town's debt obligations were in order (parity debt); (5) that the system's revenue was adequate to pay off the debt; and (6) that the bond resolution then would be final.

Once the funds were available and the designs approved, construction began. "We finally got underway in the spring of 1991" said Milne. "Construction on the system is finished, but the town will continue to work with DNRC until the loan is repaid."

QUESTIONS APPLICANTS ASK ABOUT GRANTS AND LOANS

1. Who is eligible to apply for grants and loans?

State government and local government entities and their subdivisions are eligible to apply for grants and loans under the Water Development Program. In the past, applications have come from universities, state agencies, cities, counties, school districts, conservation districts, irrigation districts, water and sewer districts, and joint boards of control. May 15 is the deadline for these applications.

Private individuals and groups also may apply for funding under the Water Development Program. Loans of up to \$200,000 are offered to applicants that can document the ability to repay and provide adequate loan security. No deadline is set for "private loan" applications; each is considered on its own merit, and funding is authorized by DNRC's director.

Grants to nongovernment entities, typically amounting to less than \$35,000 and limited to 25 percent of the proposed project cost, are available on a competitive basis. The deadline for "private grant" applications is set after each regularly scheduled legislative session during odd-numbered years. State and local government entities should refer any projects or activities that would benefit private individuals or groups to the private grant and/or loan programs created by the legislature to address the needs of private individuals.

2. How do we apply?

State and local governments should use application guidelines and grant or loan forms for government entities. If an entity seeks both grant and loan funding, both application forms should be used; however, the loan application should be completed first. Step 5, "Financial Narrative and Budget Forms," would not be completed in the grant application for combined grant and loan applications. Private loan applicants should request "Application Guidelines and Forms for Private Loans"; application forms for private grants will become available in early 1993.

WATER PLANNING ESSENTIAL FOR LOAN AND GRANT APPLICANTS

The State Water Plan

According to Montana law, the Water Development Program is to play a major role in the implementation of the state water plan and is to be administered to accomplish the plan's objectives. The State Water Plan, which is overseen by the State Water Plan Advisory Council, is continually being expanded and revised. At this time, however, the adopted sections of the plan establish the following priorities for the water development program.

Water Storage

The State Water Plan places a high priority on water storage development, but also recognizes that storage projects must compete with other water management activities and storage project proposals for increasingly limited federal and state funding. The plan includes the following priorities for the allocation of state funds to water storage projects:

- (1) Project proposals that will repair and rehabilitate existing facilities that pose high hazards to life and property due to unsafe conditions.
- (2) Project proposals that will improve and/or expand existing water storage facilities.
- (3) Project proposals that include planning and/or construction of new water storage facilities, including onstream, offstream, and nonstructural.

Agricultural Water Use Efficiency

Agriculture is Montana's largest consumer of water for beneficial use. Along with water storage policies, the State Water Plan's management strategy includes developing and extending limited water supplies through improved agricultural water use efficiency. The plan suggests special consideration of project proposals that will improve the efficiency of existing irrigation projects.

Specific Proposals

In addition to the general priorities mentioned, the State Water Plan has, in the past, recommended funding for specific project proposals such as the Montana Water Information and Drought Monitoring systems.

3. How much time does it take to fill out loan and grant applications?

Depending on the type of project or activity that is being proposed, most applicants spend several days completing the form and providing the narrative support. For instance, if a construction project is planned, a detailed study and preliminary designs that may take several months to develop will be needed to support the application.

Application forms are distributed in January, but applicants may want to get an earlier start to make sure they meet the application deadline.

4. Do all projects get funded?

Even excellent proposals must be turned away due to the limit of grant funds. Projects that provide excellent public benefits, meet key program objectives, are technically sound, and are most urgent are the best candidates for DNRC grant programs.

5. How much grant money will be available?

In 1991, the legislature authorized about \$800,000 for Water Development grants. Combined with about \$570,000 in Renewable Resource Development funding, DNRC expects to fully fund the first 16 or 17 projects authorized. Funding for these programs comes from a portion of Coal Severance Tax revenues and

interest earned on the Resource Indemnity Trust. Increased or decreased earnings will affect DNRC's ability to award grant contracts.

Grant recommendations always are made for \$100,000 or less. Projects that have other funding sources may be limited to a grant of \$50,000 or 25 percent of the project cost, whichever is less.

6. How much loan money is available?

There are two loan categories. Loans for \$200,000 and less are available for small projects. Water Development bond loans of up to \$200,000 may be paired with Water Development grants. For example, an applicant may receive a \$150,000 loan and a \$50,000 grant, or a \$175,000 loan and a \$25,000 grant. DNRC has the authority to issue General Obligation Water Development bonds totaling \$10 million; about \$5 million have been issued. DNRC has the capacity to provide 20 to 30 additional loans at this time.

DNRC also has the authority to issue Coal Severance Tax bonds totaling \$250 million, but this is limited by the Coal Severance Tax revenue actually available to secure loans. The amount of each loan is not limited except by the project sponsor's ability to repay the loan. Currently, DNRC has the capacity to provide additional loans totaling \$30 million.

7. How are loan interest rates set?

Smaller loans funded with proceeds from the sale of Water Development bonds are provided with the interest rate received by the state for the sale of its bond.

Larger loans funded with bonds secured with Coal Severance Tax revenue may have interest rates set at 1 to 3 percentage points lower than the rate at which the bond is sold for the first few years of the loan term. These rates are based on the income levels of those benefiting from the project. Grants are not awarded with these loans.

8. What types of projects or activities frequently receive funding?

Since the Water Development Program was initiated to support goals of the State Water Plan (see sidebar on page 8), applications are designed to identify proposals that support or implement the plan. Preferred projects are those that further state water storage priorities, initiate the use of water reserved under the laws of Montana, preserve prime farmland, or help resolve Indian/federal reserved water rights. Projects selected include those that fully use water resources and typically result in significant water conservation.

Examples of frequently funded projects include community water and sewer projects, irrigation ditch lining efforts, irrigation management programs, water storage studies, and erosion control activities. However, State Water Plan priorities change from year to year and considerably influence the selection of projects and activities for funding.

9. What distinguishes those applications that rank the highest from those that don't quite make the funding cut?

Projects or activities must address public need as it is outlined in statute (see Grant Application Ranking Criteria on page 5); beyond this, successful applications are those that are well-developed. Applications must describe the problem, the impacts, and the possible solutions. The best solution then should be identified with its merits documented. The technical approach to be used must be described in detail and evidence of its appropriateness provided. Don't forget



Photo by Jim Bond

DNRC's John Tubbs and Anna Miller discuss financing for DNRC grant programs.

Questions (cont'd from page 9)

to thoroughly address other elements of the application: adverse environmental impacts, economic and financial feasibility, need, and urgency. Include a budget that ensures that enough funding will be available to complete the project, and identify all efforts to secure funding from other sources. DNRC staff must rely on the application to judge the merit of a project or activity. We may ask for additional information to clarify an element of your application, but do not rely on this process to "polish" your application; we will not seek missing information—only information needed to further clarify the application will be requested.

10. *Are loans ranked for funding?*

Loan applications for Water Development projects or activities are reviewed for financial and technical feasibility but are not ranked; each feasible loan request is recommended for funding.

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FUNDING FOR EMERGENCY PROJECTS

In addition to funding available under each Water Development Program grant cycle, limited funding also is available for emergency projects to help solve immediate water-related problems faced by state and local governments. These emergency funds are reserved for water development projects that—if delayed until legislative approval can be obtained—will cause substantial damage or a legal liability to the project sponsor.

As with funding for other water development projects and activities, emergency funds must be used for projects that will enhance the common well-being of Montanans through the measurable conservation, management, use, development, and/or protection (including improvement or reclamation) of a targeted resource that is water-related.

Each emergency grant will be reviewed by DNRC staff and, based on the staff's recommendation, may be approved for funding. Total funding for all emergency grants may not exceed the amount of the legislative biennial appropriation for emergency projects under the Water Development Program. A single emergency grant may not be funded for more than the amount of the biennial appropriation, minus the total of all emergency grants previously funded during the biennium. Contact DNRC for more information about these grants.

